Performance Review

In the one month period ending 31 March 2021, the Fund’s I shares returned 0.45% (net of fees), while the benchmark returned 2.27%.

Materials, information technology and consumer staples were the best-performing sectors in the index in March, while communication services, real estate and energy were the worst performing. Our stock selection in utilities, consumer discretionary and information technology added to the performance, while stock selection in energy, materials and health care were key detractors. Our underweight in energy and overweight in health care were the largest contributors to performance. Our underweights in consumer staples and information technology and overweight in communication services and financials were key detractors allocation-wise.

Market Review

The MSCI India Index (up 2.3%) outperformed the MSCI Emerging Markets Index (down 1.5%) in March in U.S. dollar terms, finishing tenth among 26 emerging market countries, down from sixth position in February. The BSE Sensex (up 3.7%) underperformed the S&P BSE MidCap Index (up 12.5%) and S&P BSE SmallCap Index (up 14.1%) in March, while the MSCI India Growth Index underperformed the MSCI India Value Index for fourth month in a row.

Foreign portfolio investors (FPI) inflows continued to remain high in cash markets at $2.6 billion. Domestic institutions (mutual funds and insurance) remained net sellers by selling stock worth $350 million in March. FPI inflows remained negative for debt markets with outflows at $873 million. On the domestic front, domestic mutual funds (DMF) sold stocks worth $19 million while domestic insurance companies bought stock worth $331 million. Subsequently, total institutional flows remained positive with inflows of $2.3 billion in March.

The rupee appreciated by 0.5% month-on-month versus the U.S. dollar and 3.9% versus the euro during the month.

In March, oil prices increased by 3.1% month-on-month in U.S. dollar terms and 3.6% in rupee terms.

Portfolio Activity

We exited our position in Marico. Marico faces high input cost inflation ahead as inputs like copra have seen a sharp uptick in prices recently, impacting margins and profitability. We also think valuations are at elevated levels.

Strategy and Outlook

Economic activities reported mixed trends in February. While industrial indicators weakened, consumption indicators improved month-on-month in February. Among industrial indicators, while deterioration was seen in exports ex-oil, jewellery and engineering (+9.2% from +11.7%), engineering exports (-3.2% from +19.1%), power generation (-0.2% from +5.5%), and coal production (-4.4% from -1.9%), improvement was seen in goods by air (-8.5% from -11.0%) and credit to the industrial sector (-0.2% from -1.3%). On the consumption indicators side, improvement was seen in electronic goods imports (+33.3% from +15.4%), two-wheeler sales (+10.2% from +6.6%), car sales (+11.9% from +5.3%), and railway passenger growth (+10.7% from +1.5%).

On the macro stability front, the headline consumer price index (CPI) inched up to 5% in February from 4.1% in January. The number is now within the Reserve Bank of India’s (RBI) target band of 2% to 6% for three months in a row. Food inflation (about 6% of the index weight) inched up to 4.3% from 2.7%. Most other constituents of inflation remain under control. Core CPI inflation printed higher at 5.9% versus 5.7% and remains well within the target range.


This document constitutes a commentary and does not constitute investment advice nor a recommendation to invest. The value of investments may rise as well as fall. Independent advice should be sought before any decision to invest.
The wholesale price index (WPI) print for February rose to 4.2% from 2% in January as inflation in manufactured products rose to 5.1% from 4.2%. Food inflation rose to 1.8% from -2.2% in January with vegetables at -2.9% from -20.8%. Fuel inflation was 0.6% versus -4.8%. Further, core WPI inflation rose to 5.7% from 5.5% in January.

Domestic macro prints and high frequency indicators have shown improvement month-on-month, and the pace and quantum of recovery has been sharp and steady. The Union Budget marking a clear change in government stance from fiscal conservatism to growth orientation and the continued accommodative stance of the RBI should augur well for the economy and markets. New and active coronavirus cases have again started to inch up, which could hamper a further pick-up in economic activities as authorities deliberate on imposing mobility restrictions. However, the Union government widening the vaccination ambit from April is very positive in our view, as it can pave the way for a sustained pick-up in vaccinations and eventually help to bend the virus curve. We continue to look for relative growth opportunities in our portfolio in the current volatile environment.

For further information, please contact your Morgan Stanley Investment Management representative.

<table>
<thead>
<tr>
<th>FUND FACTS</th>
<th>Launch date</th>
<th>Base currency</th>
<th>Index</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>30 November 2006</td>
<td>U.S. dollars</td>
<td>MSCI India (Net) Index</td>
</tr>
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<table>
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<tr>
<th>12 Month Performance Periods to Latest Month End (%)</th>
<th>MARCH '20 - MARCH '21</th>
<th>MARCH '19 - MARCH '20</th>
<th>MARCH '18 - MARCH '19</th>
<th>MARCH '17 - MARCH '18</th>
<th>MARCH '16 - MARCH '17</th>
</tr>
</thead>
<tbody>
<tr>
<td>MS INVF Indian Equity Fund - I Shares</td>
<td>77.39</td>
<td>-34.68</td>
<td>-116.8</td>
<td>7.99</td>
<td>25.70</td>
</tr>
<tr>
<td>MSCI India (Net) Index</td>
<td>76.35</td>
<td>-30.86</td>
<td>6.75</td>
<td>10.23</td>
<td>18.40</td>
</tr>
</tbody>
</table>

Past performance is not a reliable indicator of future results. Returns may increase or decrease as a result of currency fluctuations. All performance data is calculated NAV to NAV, net of fees, and does not take account of commissions and costs incurred on the issue and redemption of units. The sources for all performance and index data is Morgan Stanley Investment Management. Please visit our website www.morganstanley.com/im to see the latest performance returns for the fund’s other share classes.

**Share Class I Risk and Reward Profile**

<table>
<thead>
<tr>
<th>Lower Risk</th>
<th>Higher Risk</th>
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<td>1</td>
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<td>3</td>
<td>4</td>
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<td>5</td>
<td>6</td>
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<tr>
<td>7</td>
<td></td>
</tr>
</tbody>
</table>

The risk and reward category shown is based on historic data.

- **Potentially Lower Rewards**
- **Potentially Higher Rewards**

- The fund relies on other parties to fulfill certain services, investments or transactions. If these parties become insolvent, it may expose the fund to financial loss.
- There may be an insufficient number of buyers or sellers which may affect the funds ability to buy or sell securities.
- There are increased risks of investing in emerging markets as political, legal and operational systems may be less developed than in developed markets.
- Past performance is not a reliable indicator of future results. Returns may increase or decrease as a result of currency fluctuations. The value of investments and the income from them can go down as well as up and investors may lose all or a substantial portion of his or her investment.
- The value of the investments and the income from them will vary and there can be no assurance that the Fund will achieve its investment objectives.
- Investments may be in a variety of currencies and therefore changes in rates of exchange between currencies may cause the value of investments to decrease or increase. Furthermore, the value of investments may be adversely affected by fluctuations in exchange rates between the investor’s reference currency and the base currency of the investments.

Please refer to the Prospectus for full risk disclosures. All data as of 31 March 2021 and subject to change daily.
INDEX INFORMATION
The MSCI India Index is designed to measure the performance of the large and mid cap segments of the Indian market.

The MSCI Emerging Markets Index (MSCI EM) is a free float-adjusted market capitalization weighted index that is designed to measure equity market performance of emerging markets.

The MSCI India Growth Index captures large- and mid-cap securities exhibiting overall growth style characteristics in India, as defined by long-term forward earnings per share (EPS) growth rate, short-term forward EPS growth rate, current internal growth rate and long-term historical EPS growth trend and long-term historical sales per share growth trend.

The MSCI India Value Index captures large- and mid-cap Indian securities exhibiting overall value style characteristics, as defined by book value to price, 12-month forward earnings to price and dividend yield.

The BSE Sensex is a stock market Index of 31 well-established industrial companies listed on the Bombay Stock Exchange.

The S&P BSE MidCap Index measures the mid-cap segment of India’s stock market.

The S&P BSE SmallCap Index measures the small-cap segment of India’s stock market.

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